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March 3, 2000

Ms. Magalie R. Salas
Secretary
Federal Communication Commission
Room TW-A325, The Portals
445 Twelfth Street
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

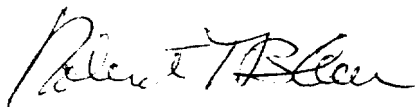
Re: Ex Parte

CC Docket No. 96-262 – Access Charge Reform; CC Docket No. 94-1 – Price Cap
Performance Review for Local Exchange Carriers; CC Docket No. ~~99-249~~ Low-
Volume Long Distance Users; and CC Docket No. 96-45 – Federal-State Joint Board on
Universal Service

Dear Ms. Salas:

On Friday, March 3, 2000, the ILEC participants in the CALLS Coalition filed the
attached letter with Mr. Lawrence Strickling, Chief of the Common Carrier Bureau. An
original and a copy of this Ex Parte are being filed in the Office of the Secretary on
March 3, 2000. Please include it in the public record of the above referenced
proceedings.

Respectfully submitted,



cc: Mr. L. Strickling

March 3, 2000

Mr. Lawrence Strickling
Federal Communications Commission
Chief, Common Carrier Bureau
445 12th Street S.W. – Room 5-C-450
Washington, D.C. 20554

Dear Mr. Strickling:

On Friday, February 25, 2000, the participants in the CALLS coalition filed an ex-parte with the Commission that outlined proposed revisions to the original CALLS proposal filed July 29, 1999. This revised plan sets forth a framework that would bring certainty to the regulation of ILEC access prices over the next five years. The CALLS proposal represents a significant shift in the regulatory paradigm.

In an effort to build upon this new regulatory framework, the ILEC members of the CALLS coalition propose to take contemporaneous steps over the life of the CALLS proposal to eliminate the disparity that exists between the regulatory and the financial accounting for depreciation expense and associated reserve balances. In its Memorandum Opinion and Order in CC Docket No. 98-137, released on December 30, 1999, ("Depreciation Order") the Commission invited price cap ILECs to submit petitions proposing alternative approaches to achieving the objectives adopted in the Order. The purpose of this letter is to outline a process that would be consistent with the framework set forth in the Depreciation Order and that would resolve a number of outstanding issues with respect to the treatment of the plant accounts on the books of the price cap ILECs. The process would comprise the following steps:

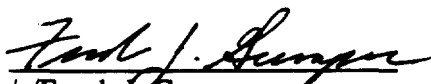
First those price cap ILECs participating in the CALLS proposal will file a joint petition for waiver, pursuant to the Depreciation Order, in which the companies will: (1) propose to use the same depreciation factors and rates for both Federal regulatory and financial accounting purposes, and (2) commit to submit, under a request for confidentiality, information concerning their depreciation accounts when significant changes to depreciation factors are made.

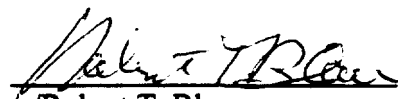
Second, in the same petition, the ILECs will also request a five-year plan under which each company would amortize 100% of the amount on its MR books of the difference between the reserve balances on their regulatory books and the corresponding balances on their external financial books. This would be done through a straight-line amortization over the five-year period:


- The amortization expense in each year would be included in the calculation of regulated earnings (treated as an above the line expense) in the company's reporting to the Commission;
- The amortization period would commence with and be contemporaneous with the timing of the CALLS proposal;
- The CALLS plan, if adopted, will have a specified agreed-upon path for the level of price caps over the next five years. In that context, the ILECs would agree that the proposed amortization would have no effect on interstate price caps or their interstate rates. The ILECs whose waiver is approved will commit not to seek recovery of the interstate amortization expense through a low-end adjustment, an exogenous adjustment, or an above-cap filing. Similarly, the ILECs will commit not to seek recovery of the interstate amortization expense through any rate action at the state level, including any action on UNE rates.


Given the above steps, the ILECs will also propose that various regulatory requirements based upon the old regulatory framework be reconsidered in light of the CALLS proposal and the Depreciation Waiver filing. These steps will be outlined in our proposed Depreciation Waiver filing.

We would be happy to address any questions regarding our proposal.


/s/Frank J. Gumper
Vice President Regulatory and
Long Range Planning
Bell Atlantic Network Services


/s/Robert T. Blau
Vice President, Executive and Federal
Regulatory Affairs
BellSouth Corporation


/s/Donald E. Cain
Vice President Federal Regulatory
SBC Telecommunications, Inc.


/s/Alan F. Ciamporero
Vice President, Regulatory Affairs
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cc: K. Brown
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